

1-1-1982

## Schumpeter and Keynes: Dissimilar Twin Revolutionists

Hyman P. Minsky Ph.D.

Follow this and additional works at: [http://digitalcommons.bard.edu/hm\\_archive](http://digitalcommons.bard.edu/hm_archive)

---

### Recommended Citation

Minsky, Hyman P. Ph.D., "Schumpeter and Keynes: Dissimilar Twin Revolutionists" (1982). *Hyman P. Minsky Archive*. Paper 322.  
[http://digitalcommons.bard.edu/hm\\_archive/322](http://digitalcommons.bard.edu/hm_archive/322)

This Open Access is brought to you for free and open access by the Levy Economics Institute of Bard College at Bard Digital Commons. It has been accepted for inclusion in Hyman P. Minsky Archive by an authorized administrator of Bard Digital Commons. For more information, please contact [digitalcommons@bard.edu](mailto:digitalcommons@bard.edu).

## S&Ktwins on Disk

### "SCHUMPETER & KEYNES; DISSIMILAR TWIN REVOLUTIONISTS"

#### SIMILARITIES:

1. Born in same year.
2. The two most important economists of the 20th century. Each is 1 or 2 on almost anyone's list.
3. They represented, for the 20th century, what Marx represented for the 19th: "Great Dissenters."
4. Both tried to revolutionize Economic theory.
5. Both were primarily interested in "macroeconomics" rather than "microeconomics."
6. Both felt that money needed to be put on the "ground-floor" of economic theory, and both worked to put it there.
7. Both saw Capital and Interest as "monetary" rather than "real."
8. Both were heretics in holding that Savings are not the source of investment.
9. Each, in his own ways, was a most colorful and extraordinary person.

#### VIEW OF EACH ABOUT THE OTHER

Keynes' only significant judgment of S's economics was the statement, in the Treatise, that S's view of the importance of innovation in investment could be "unreservedly accepted."

Schump had a great deal to say about K and his economics. This appears both in his Obituary article about K and in his final work, The History.

A sample: S said of K" : ...Keynes was "pleasant, kind, and cheerful as are those whose first principle is never to allow any pursuit of theirs to degenerate into work." "He knew what it was to be tired. But he hardly seems to have known dead hours of cheerlessness and faltering purpose." Obit., pp. 271-72.

#### DISSIMILARITIES

1. S was a "driven" and frustrated man; Keynes was supremely "well-adjusted." (What S said of K the person is essentially correct.) K said in his last months that his only serious regret was that he had not drunk more champagne in his life (Essays On K)

2. Keynes' economics grew out of his intense interest with economic policy. Schump was a traditional "scholars' scholar," who eschewed policy matters, although his ideology was clear.

Their scientific methods were very different. S's approach to economic science was "visionary,"; Keynes' was empirical. (See

Scidelsky quote)

S never changed his mind. Keynes did so frequently. (K's riposte)

S had an early "vision" of the nature of Capitalist Economy,. Keynes reached his conception of the economy rather late in his life. S was a visionary economist; K was fundamentally an empiricist, but with remarkable powers of intuition and communication.

3. Their ideologies were very different. S was a thoroughgoing conservative, both intellectually and in social policy. Keynes was "reformist," an interventionist. (He hailed the "End of Laissez-faire.")

4. S "opened the door" of monetary concepts of Capital and Interest, but never did much with them.. Keynes not only opened the door but went on to build a theory on them.

5. They had quite different concepts of Money and its functions. To S, money, although not a "commodity," was nevertheless a "thing" that circulated around the economy in a systematic way, and whose primary function was as a medium of exchange or "means of payment."

To Keynes money is essentially institutional, a part of an economic apparatus, an accounting unit, in terms of which debts are contracted and prices quoted. Money is not a "thing," and it does not "circulate" in any systematic way.

In Keynes' view, money's major function is to satisfy "liquidity preference," To provide a means of payment is a by-product of money, with importance only in a primitive economy, where debts and contracts are at most negligible importance.

6. Keynes was a "Creditist" almost from the beginning. (1924, Tract. His creditism became more pronounced with the Treatise, 1930, and was complete with the GT.

S only very gradually moved towards creditist views and never went all the way.

7. Although both rejected the notion that it is saving that provides funds for investment, S held that saving is a great economic virtue, and was not de-stabilizing. K eventually saw saving as a threat to "full employment." (Nevertheless, K saw saving as a virtue in times of scarcity, e. g., in wartime.) Quite possibly, as S suggested, their differing ideologies were behind this difference of view.

8. S rejected the Saving/Investment approach to macroeconomic analysis. Keynes built on this approach from the Tract on.

In his obit article on K, S criticized K's doing this. He ascribed it to K's "curious reluctance to recognize a very simple and obvious fact: that typically industry is financed by banks." (Ten Great Economists, p.275, note 27 ) In S's view investment is financed by banks creating "credit means of payment," which

has little if anything to do with saving. Movements in Saving automatically bring appropriate changes in interest rates.